

IN THE UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF VIRGINIA

Alexandria Division

UNITED STATES OF AMERICA	)	Criminal No. 03-333-A
)	
	)	Unlawful Export of Commerce Control
v.	)	List Items
	)	(50 U.S.C. §§ 1702 and 1705(b); 15
ZHAN GAO,	)	C.F.R. §§ 736.2, 764.2, 764.3(b) & 774.1;
	)	E.O. 12924)
Defendant	)	(Count One)
)	
	)	Tax Fraud
	)	(26 U.S.C. § 7206(1))
	)	(Count Two)
)	

INFORMATION

THE UNITED STATES ATTORNEY CHARGES THAT:

GENERAL ALLEGATIONS

At all times material to this information:

1. Defendant ZHAN GAO conducted business and held banking accounts under the names Technology Business Services, University Laboratories, Chinese Scholars of Political Science and International Studies, Inc., CSPSIS, Inc., and Allways, Inc.

Entities Connected with the PRC Military

2. The Nanjing Research Institute of Electronics Technology (“NRIET”), also known as the 14th Institute, is involved in the development of state-of-the-art phased array radar systems for the military of the People’s Republic of China (“PRC”). NRIET is one of the PRC’s premier designers of aircraft radars and has designed most of the PRC’s strategic and early

warning radars. NRIET also conducts business under the name Nanjing SunSea Industry Corp. and Nanjing Institute of Radio Technology.

3. The China National Electronics Import & Export Corporation (“China National”), in Beijing, PRC, is involved in the acquisition of products and technology useful in the development of military applications. China National also conducts business under the name Incom Import & Export Company.

Controls on the Export of Military Items

4. The Export Administration Act of 1979 regulates, among other things, the export from the United States of certain goods and technologies for national security reasons. The statute authorizes the President to restrict exports "which would make a significant contribution to the military potential of any other country or combination of countries which would prove detrimental to the United States." 50 U.S.C App. § 2402(2)(A).

5. Under the Export Administration Act, the Secretary of Commerce is required to establish and maintain a Control List of goods and technologies that require export licenses. The Secretary of Commerce has promulgated regulations implementing the Act, known as the Export Administration Regulations. 15 C.F.R. §§ 730.1, et seq. These regulations include the Commerce Control List, 15 C.F.R. §774.1.

6. The Export Administration Regulations prohibit, for national security reasons, the export of certain goods and technologies to the People’s Republic of China without authorization from the United States Department of Commerce, through a license obtained from its Bureau of Export Administration.

7. The International Emergency Economic Powers Act, 50 U.S.C. §§ 1701, et seq., gives the President broad authority to regulate exports and other international transactions during times of national emergency. When the Export Administration Act expired on August 20, 1994, Executive Order 12924, 59 Fed. Reg. 43437 (1994), continued the Export Administration Regulations in effect under the International Emergency Economic Powers Act until November 13, 2000, when the Export Administration Act was reauthorized until August 20, 2001. See Pub. L. No. 106-508, 114 Stat. 2360 (2000). Executive Order 13222, 66 Fed. Reg. 44025 (2001), again continued the Export Administration Regulations in effect thereafter under the International Emergency Economic Powers Act.

Defendant's Export of Commerce Control List Items

8. At all times material to this Information, in the Eastern District of Virginia and elsewhere, the defendant, ZHAN GAO, knowingly and willfully exported and caused to be exported from the United States to the People's Republic of China items designated on the Commerce Control List, without having first obtained from the Department of Commerce a license for such export or written authorization for such export, in violation of Title 50, United States Code Appendix, Section 2410(a), Title 50, United States Code, Sections 1702 and 1705(b), Title 15, Code of Federal Regulations, Sections 764.2(a), 764.2(b), and 764.2(d), and Executive Orders 12924 and 13222.

9. ZHAN GAO was, at all material times, an owner and operator of University Laboratories and Technology Business Services. Acting through University Laboratories and Technology Business Services, the defendant purchased electrical components from various United States manufacturers and suppliers, including items designated on the Commerce

Controls List. The defendant misrepresented to various sellers of these items that the defendant was affiliated with United States universities, that the items purchased by the defendant were being used for research, and that the items would not be exported from the United States. The defendant knowingly exported Commerce Control List items to the People's Republic of China without having first obtained a license for export or written authorization for export as required by federal law. The defendant obtained monies intended to be used for the purchase of electrical components, including items designated on the Commerce Controls List, and for shipment of such items to the People's Republic of China, through funds that were transferred by wire from places outside the United States, including the People's Republic of China, to personal and commercial bank accounts opened in New York and Virginia.

Defendant's Export to China of
80 Military Intel486 DX2 microprocessors

10. On or about July 12, 2000, the defendant caused TBS to enter into contract no. 00US11IDF52011883 with Incom Import & Export Company (which is identified in the contract as a subsidiary of China National Electronics Import & Export Corporation) in which TBS agreed to sell to Incom and ship to Nanjing, China, 80 Military Intel486 DX2 (MG80486DX2-50) microprocessors. Military Intel486 DX2 microprocessors have a temperature range of -55°C to +125°C, which allows this microprocessor to be used on aircraft, where it can be employed in navigation, digital flight control and weapons fire control systems, radar data processing, and airborne battle management systems. This microprocessor can also perform target identification and discrimination functions in missiles, allowing the missile to home in on and destroy its target. Military Intel486 DX2 microprocessors are Commerce Control List items.

11. On or about July 27, 2000, the defendant caused TBS to order 40 MG80486 DX2-50 microprocessors from Rochester Electronics. On or about August 28, 2000, the defendant caused TBS to change this order to 80 microprocessors.

12. On or about September 7, 2000, the defendant paid for this order by wire transfer from an account controlled by the defendant at Bank of America in the name of University Laboratories, account no. 0041-2181-6386 (the “University Labs BOA savings account”).

13. The defendant caused Rochester to ship 80 MG80486 DX2-50 microprocessors on or about September 12, 2000, to TBS at an address in McLean, Virginia. This address was actually the defendant’s home address.

14. On or about October 6, 2000, the defendant caused TBS to ship 80 MG80486 DX2-50 microprocessors to Nanjing, China. TBS’s invoice for the microprocessors was addressed to Nanjing SunSea Industry Corp.

15. On or about January 10, 2001, Incom Import & Export Company wired payment for the 80 MG80486 DX2-50 microprocessors to an account controlled by the defendant at Bank of America in the names of GAO and GAO’s mother-in-law, Yu Xia Dong, (the “Gao/Dong BOA checking account”). The total amount of this wire, which included payment for the amplifiers and other components sold by the defendant, was \$539,296.00.

16. On or about January 11, 2001, the defendant transferred \$540,000 from the Gao/Dong BOA checking account to an account controlled by the defendant at Bank of America in the names of GAO and her husband, account no. 0041-1899-9562 (the “Gao/Xue BOA savings account”).

17. On or about January 11, 2001, the defendant transferred \$500,000 from the Gao/Xue BOA savings account to an account controlled by the defendant at Bank of America in the names of GAO and XUE's mother, Yu Xia Dong, account no. 0041-1894-5561 (the "Gao/Dong BOA savings account").

COUNT ONE

(50 U.S.C. §§ 1702 and 1705(b); 15 C.F.R. §§ 736.2, 764.2,
764.3(b) & 774.1; E.O. 12924)

(Unlawful Export of Commerce Control List Items)

THE UNITED STATES ATTORNEY FURTHER CHARGES THAT:

1. Paragraphs 1 through 17 of the GENERAL ALLEGATIONS of this Information are re-alleged and incorporated by reference.

2. On or about October 6, 2000, in the Eastern District of Virginia, the defendant, ZHAN GAO, did knowingly and willfully export and cause to be exported from the United States to the People's Republic of China 80 MG80486 DX2-50 microprocessors, which were Commerce Control List items, without having first obtained a license or written authorization for such export from the Department of Commerce.

(In violation of Title 50, United States Code, Sections 1702 and 1705(b); Title 15, Code of Federal Regulations, Sections 736.2, 764.2, 764.3(b), and 774.1; and Executive Order 12924.)

COUNT TWO

(26 U.S.C. § 7206(1))

(Tax Fraud)

THE UNITED STATES ATTORNEY FURTHER CHARGES THAT:

1. Paragraphs 1 through 17 of the GENERAL ALLEGATIONS of this Information are re-alleged and incorporated by reference.

2. On or about April 7, 2001, in the Eastern District of Virginia, the defendant, ZHAN GAO, a resident of McLean, Virginia, did willfully make and subscribe, and did aid and abet the making and subscribing of, a joint U.S. Individual Income Tax Return for the calendar year 2000, which was verified by a written declaration that it was made under the penalties of perjury and was filed with the Internal Revenue Service, which the defendant did not believe to be true and correct as to every material matter in that the return reported no gross receipts or sales, when in fact, as the defendant then and there well knew and believed, the defendant received gross receipts or sales.

(In violation of Title 26, United States Code, Section 7206(1) and 18 U.S.C. § 2.)

Respectfully submitted,

PAUL J. McNULTY
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By:

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